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ARGENTINA

Argentina continues to be a major competitor in the world market for soybeans, corn, wheat, and beef. Most recently, Argentina has focused its efforts on increasing its share of the world soybean market, both for soybeans and for products derived from soybeans. These increases in soybean production have raised concerns from critics who feel that, in the longer term, this may be detrimental to Argentina's economic and social well-being. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Argentina's grains and oilseeds sector, and the possible implications for Canada's grains and oilseeds sectors.

Background

Argentina is the second largest country in South America in terms of its land base, and third largest with respect to its population of 39 million (M) people. In 2005, Argentina's gross domestic product was US$176 billion (G), of which agriculture accounted for over 11% of that figure. Argentina's main source of foreign exchange is processed agricultural goods, which account for 25% of its total exports.

For the past few years, Argentina's economy has been recovering from an economic crisis that included a devaluation of its currency, unemployment, inflation, a large public debt load, and general political instability. The recovery can be attributed in part to import substitution and strong agricultural exports.

Argentina's economy has grown at a rate of approximately 9% over past three years and would appear to be positioned for another year of strong economic growth in 2006. Argentina's economic recovery has come partly as a result of strong international commodity prices, as well as the government's ability to maintain a fiscal surplus.

Biofuels in Argentina

Argentina has passed legislation mandating that all gasoline contain at least 5% ethanol and that all diesel fuel contain at least 5% biodiesel by 2010. This essentially gives the fuel industry four years to comply with the new legislation. The Argentine government is providing tax incentives to firms involved in the production and distribution of biofuels. Government will determine which projects qualify for tax exemption and it will set quotas each year for the distribution of tax benefits, aimed primarily at farmers and small to medium companies involved in biofuel initiatives.

Companies in the oil industry and large soybean producers have complained that the new law does not provide for subsidies. Nevertheless, Repsol YPF, which is headquartered in Spain and one of the largest oil companies in the world, is investing in a biodiesel plant in Rosario, Sante Fe Province, Argentina. The company has operations in more than 30 countries and plans to be the first major biodiesel producer in Argentina. The plant, which is expected to be operational by late 2007, is designed to produce about 31.7 million gallons of biodiesel annually. This biodiesel will initially be used to create a B5 (5%) blend, with a B10 blend planned for the future. Biodiesel is not taxed in Argentina, unlike fuels derived from petroleum, and this provides an economic incentive for setting up a biodiesel production facility in Argentina.

Argentina's Soybean Monoculture

Argentina's legislation regarding biofuels has raised concerns about the expansion of the so-called soybean monoculture in Argentina. Argentina's soybean crop is primarily transgenic and critics argue that this threatens biodiversity, and that the soybean monoculture hurts family farms and the rural social fabric. In the past ten years, rapidly expanding soybean production is believed to have caused an exodus of rural workers and resulted in a concentration of land ownership. Critics further argue that increased soybean production has disturbed established land rotation systems and that it has had an undesirable effect on the health of the soil.

As Argentina's farmers increase the amount of land they plant to soybeans, area planted to other field crops diminishes and livestock production shifts to less productive land in the southern and western regions of Argentina. This has raised further concerns about the negative effects of the soybean boom on local economies. Specifically, as soybean production in some areas of Argentina has increased, poverty rates in those areas have increased accordingly. This appears to be particularly true in areas that require 1,000 to 2,000 hectares of land for a farm to be viable and profitable because farms of this size tend to be highly mechanized and therefore they require minimal labour.

Argentina's Soybean Crushing Industry

Argentina crushes about 70% of its annual soybean production. The products of the crushing industry, soyoil and soymeal, are mostly destined for export markets. Currently, about 90% of Argentina's annual soyoil production and 97% of the annual soymeal production is exported.

Government policies during the 1990s, including the privatization and deregulation of railroads and ports, have encouraged companies to make huge investments in Argentine processing and port facilities. Argentina export retention taxes, which were imposed on most of its agricultural goods as a means of generating tax revenue, as well as ensuring maintenance of domestic supply, have also had an effect. In the wake of the 2001 economic crisis, soybean exports have been taxed at 23.5% while soyoil and soymeal have been taxed at 20%. Combined with strong demand from China and a devalued Argentine peso, soybean crushing in Argentina has increased by 45%

during the period between 2001-2002 and 2005-2006.

The bulk of crushing is concentrated in the provinces of Buenos Aires, Santa Fe, Entre Rios, Misiones, and Cordova. However, Rosario, which is the third largest city in Argentina, has the highest concentration of soybean crushing plants in the world. These plants are among the most efficient in the world and, despite occasionally tight soybean supplies, operate at 85 to 90% capacity. With more plants under construction, Argentina will soon be able to crush about 160,000 tonnes per day (t/d). Louis Dreyfus alone is expected to crush 30,000 t/d once their new plant is fully operational. By comparison, Canada's *total* oilseed crushing capacity is 17,650 t/d.

A possible constraint to further expansion of Argentina's crushing industry would be the availability of soybean supplies. The soybean crushing industry has expanded faster than domestic soybean production. Therefore, until primary production catches up, Argentina's crushers will have to rely on soybeans from non-domestic sources, such as Paraguay.

Argentina's Livestock Sector

Argentina is the fifth largest producer and third largest exporter of beef in the world; it has about 300 million acres of pasture land and about 55 million heads of cattle. Argentina's per capita consumption of beef, estimated at 140 pounds annually, makes it the largest per capita consumer of beef in the world, and nearly double that of the United States (U.S.). Livestock production and slaughter are therefore major activities in Argentina, as are refrigeration and processing of meat products. About 15% of the beef produced in Argentina, which averages 3.0 million tonnes (Mt) annually, has traditionally been exported.

In March 2006, Argentina suspended most beef exports. While the majority of its beef exports were affected, high end beef exports sent to Europe as a part of the Hilton beef quota and to countries with which Argentina has bilateral agreements were exempted. These measures have been undertaken as part of wider price control efforts to curb the inflation rate, which reached 12.3% in 2005. Beef producers were targeted, as beef represents a large portion of the domestic diet and has been viewed as a key factor in the rising inflation rate.

In May 2006, the Argentine Government published a resolution that will permit the partial lifting of the suspension on beef exports, as beef prices had dropped in the wholesale market after the export suspension took effect. In addition, towards the end of July, the government announced that it intends to put into place a program to support ranchers with their efforts to increase beef supply, so as to ensure steady domestic supply. The program has not been clearly defined as yet.

Canada/Argentina Agri-Food Trade

In the Argentine market, Canada has been competing directly with Argentina's domestic suppliers who benefit from lower transport costs, import tariffs, and exchange rates that discourage imports. As a result, domestic supplies account for up to 90% of the food products consumed in Argentina. As well, most of the international competition Canada faces comes from the Mercosur group of countries which includes Brazil, Paraguay, Uruguay, Argentina, Venezuela, and associate members Chile, Bolivia and Peru. Mercosur accounts for about 60% of Argentina's imports.

In 2005, bilateral trade between Canada and Argentina in agri-food products totalled CAN$157M, up from CAN$131M in 2002, which was the peak of Argentina's economic crisis. However, the trade imbalance between these two trading partners continues to heavily favour Argentina. In 2005, Canada's imports of agri-food products from Argentina totalled CAN$149.5M, while Canada's exports of agri-food products to Argentina were CAN$7.4M.

According to 2005 trade data compiled by Statistics Canada, the main categories and value (in Canadian dollars) of Canada's agri-food imports from Argentina are: *fruit and nuts*, $35.9M; *beverages, spirits and vinegar*, $28.1M; *dairy products, eggs and honey*, $19.4M; *preparations of vegetables, fruit and nuts*, $13.5M; and *oilseeds, seeds for sowing, fodder*, $10.4M.

Conversely, for 2005, the main categories and value of Canada's exports of agri-food products to Argentina are: *edible vegetables and certain roots and tubers, pulses*, $3.5M; *miscellaneous edible preparations*, $1.3M; *food industry residues and waste, prepared fodder*, $1.2M; *oilseeds, seeds for sowing, fodder*, $0.9M; and *products of animal origin*, $0.9M.

SITUATION 2005-2006

Argentina's major field crops are soybeans, corn, wheat, sorghum, barley and oats, and about 10% of that production is for feed use. By comparison, Canada uses about 40% of its total grains and oilseeds production for animal feed. Argentina's feed use is relatively low because most of its livestock production is located in areas where domesticated animals can graze naturally rather than being housed in feedlots. This non-reliance on gathered animal feed creates an excess supply of animal feed.

As a result, about 40% of Argentina's total field crop production is exported. However, if one were to add in exports of soyoil and soymeal, Argentina's agri-food exports would then represent about 75% of its total field crop production.

For 2005-2006, ***area seeded*** to Argentina's major field crops is estimated at 23.1 million hectares (Mha), down from the record 24.4 Mha in 2004-2005, and ***production*** for 2005-2006 is estimated at 70.3 Mt, down from the record 79.8 Mt in 2004-2005. ***Exports*** for 2005-2006 are estimated at 26.5 Mt, down from the record 36.4 Mt exported in 2004-2005.

Soybeans and corn generally account for 54% and 23%, respectively, of Argentina's total field crop production. Virtually all soybeans and about one-third of corn produced in Argentina are genetically modified, but Argentina is also known for its production of organic vegetables and beef. About 90% of that organic production is destined for export markets, primarily in the EU.

Soybeans

Argentina is the third largest producer of soybeans in the world, accounting for about 18% of the total world production, which is estimated at 220 Mt for 2005-2006. Argentina has tripled soybean production during the past 10 years as area seeded to soybeans increased from 6.2 Mha, to 15.0 Mha, and yields increased by about 50% during this period.

Logistics have contributed a great deal to increased soybean production in Argentina. About 80% of Argentina's soybean production is located within a 200 mile radius of its ports and crushing facilities. Furthermore, record world crude oil prices have not translated into higher farm fuel costs, unlike Brazil where fuel costs have skyrocketed. In Argentina energy prices have been frozen at devalued rates since 2001-2002.

For 2005-2006, Argentina's soybean ***production*** is estimated at a record 40.5 Mt, up from the previous record of 39.0 Mt in 2004-2005. With record available supplies of soybeans in 2005-2005, Argentina's ***exports*** are estimated at a record 10.1 Mt, up from 9.3 Mt in 2004-2005. The major exports markets are China, Thailand, Turkey and Indonesia. Soybean crush is estimated at a record 30.4 Mt, up from the previous record of 27.3 Mt in 2004-2005. For 2005-

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CANADA: GRAINS AND OILSEEDS OUTLOOK

August 4, 2006

AAFC forecasts that total production of grains and oilseeds in Canada will decline by 8% from 2005-06, to 61 million tonnes (Mt), slightly above the 10-year average. While crops got off to a good start in the spring because of the early seeding and good soil moisture, the weather subsequently turned hot and dry across most of the Prairies. Crop development is generally ahead of normal. Yields are expected to be at trend to slightly below trend in western Canada. Quality of all crops is expected to be above average, with a better than normal grade distribution. Protein levels in wheat and barley are expected to be higher than average, while canola and flaxseed oil content may be below normal. In eastern Canada, the weather has been hot but moisture has generally been adequate, and yield prospects are good.

In western Canada, production is forecast to decline by 10%, to 46 Mt, with eastern Canadian production down by 3%, at 15 Mt. Domestic use is expected to increase in 2006-07 due to increased ethanol production. Exports are also expected to increase by 10%, due mainly to higher exports of non-durum wheat. Prices for all crops are expected to be similar to or higher than in 2005-06, except for flaxseed. Prices will continue to be pressured by the strong Canadian dollar. The major factors to watch are: US and Canadian crop development and harvest conditions, the bio-fuel market, ocean freight rates and the Canada/US exchange rate.

DURUM

Production is forecast to fall by over 40% due to lower area and yields. This is partly offset by the record 3.3 Mt carry-in stocks, but supply is expected to decline by 19%. Exports are forecast to decrease by 10% due to lower demand from North Africa and the EU, which will be partly offset by increased imports from the US. Carry-out stocks are forecast to fall by 36%, but remain slightly above the 10-year average. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) is rising due to the declining production prospects for North America, and is now slightly higher than for 2005-06. The discount of No.1 CWAD 11.5 to No.1 CWRS 11.5 is projected at a record $18/t.

WHEAT (excluding durum)

For 2006-07, production is forecast to increase by 4%, with the 17% larger harvested area largely offset by lower expected yields. Supply is expected to rise by 7%, however, due to higher carry-in stocks. Exports are forecast to increase by 30% due to record Ontario production of 2.4 Mt, increased supplies of good quality wheat in western Canada and reduced competition from other exporters. Domestic use is expected to decline, with reduced feed use partly offset by sharply higher industrial use for ethanol production. Carry-out stocks are expected to decline by 20%. The CWB PRO is now $10 to $25/t above 2005-06 for all milling grades. The increases are smallest for No.1 CWRS, as quality and protein premiums are forecast to decrease due to the expected better quality of the 2006 Canadian and US hard red spring wheat crops.

BARLEY

Production is forecast to decrease by 15%, due to lower area and yields. Supply is expected to fall by 13%. Exports are forecast to decrease by 8%, as lower feed barley exports are only partially offset by higher exports of malting barley. Despite lower exports and domestic feed use, carry-out stocks are forecast to fall significantly. The average off-Board feed barley price (No.1 CW, in-store Lethbridge) is forecast to increase by $20/t from 2005-06. The CWB PRO for No. 1 CW feed barley for Pool A in 2006-07 is $124/t, vs. $125/t for Pool A in 2005-06. The CWB PRO for SS2R malting barley is $174/t vs. $171/t for 2005-06, due to lower expected exportable supply in Australia and strong import demand from the US.

CORN

Production is forecast to decrease by 8%, due to lower yields. Imports are forecast to increase significantly from 2005-06, as a result of lower domestic supply, and strong demand for animal feed and ethanol. Carry-out stocks are forecast to drop by 22%. The average price at Chatham elevator is forecast to increase by $25/t due to higher US corn prices.

OATS

Production is forecast to increase by 12%, due to larger area and a return to normal abandonment rates. Supply is expected to increase, as higher production more than offsets lower carry-in stocks. Exports are forecast to rise marginally from 2005-06, as a result of strong US import demand. Although feed use is expected to rise significantly, carry-out stocks are projected to rise by 11%. Chicago Board of Trade oat nearby futures prices are forecast to remain unchanged from 2005-06, narrowing the US price premium for oats over corn.

CANOLA

Production is forecast to decrease by 16% to 8.1 Mt, as yields are pressured by hot and dry weather. Supply is expected to decrease by 9%, but remain historically high, due to burdensome carry-in stocks. Exports are forecast to decline slightly from the record setting pace of 2005-06 as a result of tighter supplies. Domestic crush is forecast to rise slightly following the expansion of some processing plants, although the recently announced new plants are not expected to open until 2007-08. Carry-out stocks are forecast to fall, but will remain significantly above the 10 year average. Prices are expected to rise from the low of 2005-06, but remain under pressure from low US soybean prices and strong Canadian dollar.

FLAXSEED (excluding solin)

Production is forecast to decrease by 7%, due to lower yields. Supply is expected to rise sharply because of burdensome carry-in stocks resulting from high production in 2005-06 and low EU imports. Although exports and total domestic use are forecast to rise, carry-out stocks are expected to increase to a burdensome 0.73 Mt vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production is forecast to decrease by 6%, as lower yields more than offset the rise in area. Supply is forecast to decrease, as reduced output more than offsets the projected rise in imports and carry-in stocks. Exports are forecast to increase to a record high, while domestic crush increases slightly from 2005-06. Although carry-out stocks are forecast to fall, prices are expected to be pressured by lower US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

August 4, 2006

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f)
	thousand ha		*t/ha*	*thousand metric tonnes*								*$/t*
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	536	1,013	2,521	201
2005-2006P	2,341	2,297	2.58	5,915	1	8,436	4,100	255	621	1,036	3,300	181*
2006-2007F	1,725	1,720	2.03	3,500	1	6,801	3,700	260	511	1,001	2,100	183*
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,521	8,138	5,471	190
2005-2006P	7,753	7,530	2.77	20,860	20	26,352	11,500	2,870	4,585	8,352	6,500	183*
2006-2007F	9,025	8,800	2.45	21,600	14	28,114	15,000	3,100	3,950	7,914	5,200	201*
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,056	9,151	7,992	
2005-2006P	10,094	9,826	2.72	26,775	21	34,788	15,600	3,125	5,206	9,388	9,800	
2006-2007F	10,750	10,520	2.39	25,100	15	34,915	18,700	3,360	4,461	8,915	7,300	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,358	10,019	3,489	112
2005-2006P	4,440	3,889	3.21	12,481	50	16,020	2,500	260	9,555	10,220	3,300	110
2006-2007F	4,090	3,510	3.03	10,630	30	13,960	2,300	270	9,185	9,860	1,800	120-140
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,422	12,401	242	2,395	7,951	10,358	1,802	100
2005-2006P	1,124	1,096	8.63	9,461	1,600	12,862	300	2,500	8,247	10,762	1,800	90-100
2006-2007F	1,135	1,105	7.91	8,740	3,200	13,740	200	3,300	8,825	12,140	1,400	110-130
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,560	1,834	988	131
2005-2006P	1,853	1,326	2.59	3,432	17	4,437	1,700	140	1,527	1,837	900	144
2006-2007F	2,205	1,555	2.47	3,845	10	4,755	1,750	140	1,690	2,005	1,000	135-155
Rye												
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	68
2005-2006P	226	148	2.42	359	1	505	123	48	157	222	160	81
2006-2007F	205	134	2.31	310	1	471	110	48	156	221	140	80-100
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006P	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	230	121	2.81	340	0	340	0	0	340	340	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,531	33,074	3,902	2,828	19,342	22,749	6,424	
2005-2006P	7,852	6,568	3.96	26,036	1,668	34,128	4,623	2,948	19,790	23,345	6,160	
2006-2007F	7,865	6,425	3.71	23,865	3,241	33,266	4,360	3,758	20,196	24,566	4,340	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309
2005-2006P	5,491	5,283	1.83	9,660	125	11,415	5,350	3,400	470	3,915	2,150	278
2006-2007F	5,420	5,156	1.58	8,125	150	10,425	5,000	3,450	480	3,975	1,450	295-325
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006P	842	803	1.35	1,082	40	1,152	450	n/a	n/a	227	475	276
2006-2007F	858	800	1.26	1,010	20	1,505	550	n/a	n/a	230	725	225-265
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006P	1,176	1,169	2.70	3,161	300	3,731	1,250	1,600	461	2,181	300	215-225
2006-2007F	1,210	1,197	2.48	2,970	350	3,620	1,350	1,650	270	2,020	250	200-240
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	4,641	927	5,743	1,929	
2005-2006P	7,510	7,255	1.92	13,904	465	16,298	7,050	5,000	931	6,323	2,925	
2006-2007F	7,487	7,154	1.69	12,105	520	15,550	6,900	5,100	750	6,225	2,425	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,085	77,703	23,715	10,568	25,325	37,643	16,345	
2005-2006P	25,456	23,650	2.82	66,715	2,154	85,214	27,273	11,073	25,927	39,055	18,885	
2006-2007F	26,103	24,099	2.53	61,070	3,776	83,731	29,960	12,218	25,407	39,706	14,065	

(a) Crop year is August-July except corn and soybeans which are September-August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Totals excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.1 CW, I/S Saskatoon); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* Canadian Wheat Board Pool Return Outlook – July 27, 2006

P: Preliminary estimates

F: Forecast; Agriculture and Agri-Food Canada — August 4, 2006

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

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CANADA: PULSE AND SPECIAL CROPS OUTLOOK

August 4, 2006

For 2006-07, the total area seeded to pulse and special crops in Canada decreased by 12% from 2005-06, as higher areas for dry peas, chickpeas and buckwheat were more than offset by lower areas for lentils, dry beans, mustard seed, canary seed and sunflower seed. Statistics Canada's (STC) seeded area survey released on June 22, provided estimates for most pulse and special crops by province, but for some of the smaller producing provinces the area seeded has been forecast by AAFC. Crop development is generally ahead of normal. The abandonment rate is expected to be normal, except for dry peas and canary seed in Saskatchewan for which slightly higher than normal abandonment is forecast because of excessive moisture in north-eastern Saskatchewan, where a significant portion of these crops are produced. Yields are generally expected to be slightly lower than trend in western Canada because of hot and mostly dry weather during July. Trend yields are expected for eastern Canada. It is assumed that precipitation will be normal for the harvest period and that quality will be normal. The dry pea, lentil, chickpea and mustard seed harvest has started.

Total production in Canada is forecast to decrease by 19%, from 2005-06, to 4.29 million tonnes (Mt). Total supply is expected to decrease by 15% to 5.75 Mt, as higher carry-in stocks offset some of the decrease in production. Exports, domestic use and carry-out stocks are forecast to decrease because of the lower supply. Average prices, over all types, grades and markets, are forecast to increase for dry peas, lentils, mustard seed, canary seed and sunflower seed, decrease for dry beans and chickpeas, and be the same for buckwheat. The stronger Canadian dollar, compared to the US dollar, is expected to have the largest impact on dry bean and sunflower seed prices, as Canadian prices for these crops are directly related to US prices. The main factors to watch are Canadian weather conditions, especially precipitation, during the remainder of the growing period for late crops, dry beans, sunflower seed and buckwheat, and during the harvest period for all crops. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in the major producing regions, especially the United States, Australia, India and Mexico.

DRY PEAS

For **2006-07**, production and supply are forecast to decrease, as lower yields and higher abandonment more than offset the 4% increase in seeded area. Production is expected to decrease for yellow, green and other types. World supply is forecast to decrease by 2% to 11.86 Mt as slightly higher production, mainly in the US and EU, is more than offset by lower carry-in stocks. Canadian exports are forecast to decrease because of lower Canadian supply and lower demand in the EU feed markets. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio (s/u) of 7%. The average price, over all types, grades and markets, is expected to rise from 2005-06 due to the lower supply.

LENTILS

For **2006-07**, production and supply are forecast to decrease sharply due to a 34% lower seeded area and lower yields. Production is expected to decrease sharply for large, medium and small green lentils, but increase for red lentils. Carry-in stocks are forecast to be high for green lentils, but low for red lentils. World supply is forecast to decrease by 2% to 4.43 Mt, due to a fall in the supply of green lentils. Canadian exports are expected to increase because of a higher supply of red lentils. Carry-out stocks are forecast to decrease sharply, with a s/u of 35%. The average price is forecast to increase for green lentils, as the supply of green lentils decreases, but decrease for red lentils, as the supply of red lentils increases. Over all types and grades, the average price is forecast to increase.

DRY BEANS

For **2006-07**, production is expected to decrease slightly, as a 15% lower seeded area is partly offset by lower abandonment and higher yields. Production is forecast to increase for Great Northern, pinto and black beans, decrease for light and dark red kidney and cranberry beans, and remain stable for white pea, pink and small red beans. Supply is expected to increase slightly because of higher carry-in stocks. In the US, production is expected to decrease by 14% to 1.025 Mt, while supply decreases by only 8% to 1.215 Mt due to higher carry-in stocks. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to remain stable, with a s/u of 7%. The average price, over all classes and grades, is forecast to decrease because of the higher Canadian supply, increased share of lower priced classes of beans in total production, and the stronger Canadian dollar.

CHICKPEAS

For **2006-07**, production and supply are forecast to increase, as an 82% higher seeded area more than offsets lower yields. Production is forecast to increase for all types, large kabuli, small kabuli and desi. World supply is expected to decrease by 2% to 8.9 Mt, as an increase for the kabuli type is more than offset by a decrease for the desi type. Although Canadian exports are forecast to increase because of the higher supply, carry-out stocks are expected to rise, with a s/u of 10%. The average price, over all types and grades, is forecast to fall due to higher world supply of the kabuli type, which accounts for about 85% of Canadian production, although the price of the desi type is forecast to increase.

MUSTARD SEED

For **2006-07**, production and supply are forecast to decrease because of a 34% lower seeded area and lower yields. Production is expected to decrease for all types, yellow, brown and oriental. A significant portion of the carry-in stocks is expected to be low quality seed. Exports are expected to rise due to higher demand and carry-out stocks are forecast to decrease sharply, with a s/u of 34%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For **2006-07**, production and supply are forecast to decrease due to a 34% lower seeded area and lower yields. World supply is forecast to decrease by 21% to 345,000 t. Canadian exports are expected to decrease slightly due to higher prices, while carry-out stocks decrease sharply, with a s/u of 43%. The average price is forecast to rise because of the lower supply.

SUNFLOWER SEED

For **2006-07**, production and supply are forecast to increase as a 13% lower seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is expected to decrease by 22% to 1.49 Mt. Canadian exports are forecast to increase because of the higher supply. Carry-out stocks are expected to remain stable, with a s/u of 15%. The average price, over both types, is forecast to increase only slightly, as support from lower US supply is mostly offset by pressure from higher Canadian supply and the stronger Canadian dollar.

BUCKWHEAT

For **2006-07**, Canadian production and supply are forecast to increase due to higher seeded area. The average price is expected to be the same as in 2005-06.

FURTHER INFORMATION:

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

August 4, 2006

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e)
	thousand ha		t/ha	thousand metric tonnes						$/t
Dry Peas										
2002-2003	1,297	1,050	1.30	1,365	41	1,681	626	745	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	57	3,600	1,853	1,152	595	135
2005-2006p	1,366	1,319	2.35	3,100	90	3,785	2,500	985	300	120
2006-2007f	1,420	1,349	2.08	2,800	100	3,200	2,000	1,000	200	115-145
Lentils										
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	367	175	38	420
2004-2005	778	750	1.28	962	10	1,010	451	314	245	310
2005-2006p	884	862	1.48	1,278	10	1,533	640	313	580	230
2006-2007f	587	558	1.20	670	10	1,260	680	250	330	245-275
Dry Beans										
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	278	20	5	650
2005-2006p	197	175	1.85	324	35	364	295	44	25	495
2006-2007f	168	165	1.94	320	30	375	305	45	25	470-500
Chickpeas										
2002-2003	221	154	1.01	156	9	345	105	160	80	300
2003-2004	63	63	1.08	68	2	150	74	51	25	330
2004-2005	47	39	1.31	51	4	80	47	28	5	385
2005-2006p	79	73	1.42	104	8	117	75	37	5	485
2006-2007f	144	132	1.14	150	5	160	105	40	15	410-440
Mustard Seed										
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006p	212	206	0.98	201	1	396	135	86	175	265
2006-2007f	140	135	0.89	120	1	296	140	81	75	285-315
Canary Seed										
2002-2003	287	227	0.78	176	0	206	160	26	20	575
2003-2004	251	243	0.93	226	0	246	165	14	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006p	190	186	1.22	227	0	397	180	32	185	195
2006-2007f	125	117	0.98	115	0	300	175	35	90	200-230
Sunflower Seed										
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006p	93	75	1.19	89	25	132	45	67	20	345
2006-2007f	81	76	1.45	110	20	150	60	70	20	335-365
Buckwheat										
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006p	7	6	1.33	8	1	9	4	5	0	355
2006-2007f	10	9	1.00	9	1	10	5	5	0	340-370
Total Pulse And Special Crops (c)										
2002-2003	3,036	2,399	1.16	2,788	130	3,627	1,734	1,235	658	
2003-2004	2,805	2,732	1.35	3,680	81	4,419	2,488	1,422	509	
2004-2005	3,145	2,948	1.78	5,237	136	5,882	2,947	1,703	1,232	
2005-2006p	3,028	2,902	1.84	5,331	170	6,733	3,874	1,569	1,290	
2006-2007f	2,675	2,541	1.69	4,294	167	5,751	3,470	1,526	755	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, August 4, 2006

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

August 8, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	August 8, 2006	FOB	150.00	N/A	138.00	148.00		237.50	136.00	117.00		1050.00	520.00					385.00
BC (4) (7)	July 31, 2006		150.00	N/A	138.00	149.00		248.00	140.00	115.00		1050.00	520.00					385.00
Calgary	August 8, 2006	FOB	112.00	N/A	112.00	131.00		234.00			150.00	1050.00	430.00					350.00
AB (4)	July 31, 2006		112.00	N/A	112.00	133.00		242.50			150.00	1050.00	430.00					350.00
Saskatoon	August 8, 2006	FOB	112.50	145.00	103.00	125.00		239.00	N/A		160.00	N/A	430.00			119.00		360.00
SK (4)	July 31, 2006		114.00	146.00	105.00	124.00		249.00	N/A		160.00	N/A	430.00			121.00		360.00
Winnipeg	August 8, 2006	FOB	142.50	140.00	111.00	116.00		222.00	N/A		270.00	1112.50	515.00					380.00
MB (4) (9)	July 31, 2006		142.50	140.00	111.00	115.00		231.50	N/A		270.00	1112.50	515.00					380.00
Thunder Bay	August 8, 2006	In-Store	136.00	N/A	109.00													
ON (8)	July 31, 2006		136.08	N/A	107.50													
Lake Ports	August 8, 2006	On Board				108.59												
USA (3)	July 31, 2006	Vessel				107.75												
Bay Ports	August 8, 2006	In-Store	162.00	200.00	122.00													
ON	July 31, 2006		162.00	200.00	122.00													
Chatham	August 8, 2006	Track				104.94												
ON	July 31, 2006					104.21												
Toronto	August 8, 2006	N/A					FOB				182.00		385.00	N/A	N/A		285.00	325.00
ON (5)	July 31, 2006										182.00		385.00	N/A	N/A		275.00	330.00
Hamilton	August 8, 2006	N/A						210.43	N/A									
ON	July 31, 2006							218.81	N/A									
Eastern	August 8, 2006	FOB				112.00												
ON	July 31, 2006					110.54												
London	August 8, 2006	FOB												340.00	75.00			
ON	July 31, 2006													340.00	75.00			
Port Colborne	August 8, 2006	FOB								50.00				340.00	75.00			
ON	July 31, 2006									62.00				340.00	75.00			
Cardinal	August 8, 2006	FOB												345.00	90.00			
ON	July 31, 2006													345.00	90.00			
Montreal	August 8, 2006		165.00	160.00	140.00	127.00		223.95	158.50	78.33	180.00	850.00	415.50	N/A	N/A		270.00	360.00
QC (5)	July 31, 2006		163.00	165.00	140.00	127.00	FOB	232.04	164.60	81.67	180.00	850.00	427.50	N/A	N/A		270.00	360.00
Trois-Rivières	August 8, 2006	In-Store	168.50		149.70	133.75												
QC	July 31, 2006		167.75		148.80	132.77												
St. Jean QC (2)	August 8, 2006	FOB	145.38	138.75	129.18	121.99		230.75										
St. Hyacinthe QC	July 31, 2006		145.19	134.75	130.70	119.78		236.75										
Quebec	August 8, 2006	In-Store	166.50	N/A	160.48	130.17		229.12	160.67									
QC	July 31, 2006		166.25	N/A	160.14	129.84		237.09	164.20									
Truro	August 8, 2006	Track	207.68	N/A	168.80	161.74		266.74	197.50		241.10		554.00					360.00
NS	July 31, 2006		201.89	N/A	168.80	158.14	FOB	272.37	197.50		241.10		548.00					360.00
Truro	August 8, 2006	Water	N/A	N/A	N/A	N/A												
NS	July 31, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	August 8, 2006	In-Store	186.95	N/A	N/A	154.85		283.00	227.80	297.50		N/A						
NS (6)	July 31, 2006		186.70	N/A	N/A	150.93		290.50	232.15	297.50		N/A						

Source: Market Analysis Division. Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

US$1.00 = CAN$ 1.127

Closing date August 7/2006

Contact: André Doumbè Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

August 8, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week August 8, 2006	Last week July 24, 2006	Month ago July 10, 2006	Year Ago August 2, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	134.00	134.00	132.00	109.00
(CBOT)		Oat	181.00	189.75	195.00	169.00
(Lethbridge)		Barley	113.00	110.00	110.00	112.50
To: Bayport, ON (1)	In-store	Wheat	157.61	157.61	155.61	132.61
		Oat	N/A	N/A	N/A	N/A
		Barley	140.39	137.39	137.39	139.89
Montreal, QC (1)	In-store	Wheat	162.03	162.03	160.03	137.03
		Oat	N/A	N/A	N/A	N/A
		Barley	145.31	142.31	142.31	144.81
Moncton, NB	Truck via Halifax	Wheat	184.25	184.25	182.25	159.25
		Oat	N/A	N/A	N/A	N/A
		Barley	169.50	166.50	166.50	169.00
Truro, NS	Truck via Halifax	Wheat	178.22	178.22	176.22	153.22
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	164.00	164.00	166.50
Halifax, NS (1)	In-store	Wheat	169.28	169.28	167.28	144.28
		Oat	N/A	N/A	N/A	N/A
		Barley	153.30	150.30	150.30	152.80
Stephenville, NL	Track / Truck via Sydney	Wheat	232.63	232.63	230.63	207.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week August 8, 2006	Last Week July 24, 2006	Month Ago July 10, 2006	Year Ago August 2, 2005
Corn						
From: US Lake Port	On Board Vessel		108.59	108.93	110.90	108.88
To: Montreal, QC (1)	In-store		127.63	127.97	129.94	127.92
From: Chicago (IL)	Track		105.48	107.59	110.02	109.36
To: Montreal, QC	Track		134.34	136.45	138.88	138.22
From: Chatham, ON	Track		104.94	104.21	103.52	114.85
To: Montreal, QC	Track		128.81	128.08	127.39	138.72
Soymeal 48% Protein						
From: Hamilton, ON			210.43	218.81	228.07	235.62
To: Montreal, QC	Track		234.76	243.14	252.40	259.95
Moncton, NB	Track		253.51	261.89	271.15	278.70
Truro, NS	Track		256.73	265.11	274.37	281.92
Stephenville, NL	Track / Truck via Sydney		305.36	313.74	323.00	330.55

1. Prices include ONE month of storage and interest charges n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada
Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.
Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

July 24, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	July 24, 2006	FOB	146.00	N/A	135.00	148.00		246.00	139.50	108.00		1050.00	520.00					385.00
BC (4) (7)	July 17, 2006		139.00	N/A	135.00	155.35		250.50	149.36	103.00		1025.00	520.00					385.00
Calgary	July 24, 2006	FOB	110.00	N/A	107.00	132.00		243.00			150.00	1050.00	430.00					360.00
AB (4)	July 17, 2006		110.00	N/A	107.00	137.00		245.00			130.00	1050.00	330.00					420.00
Saskatoon	July 24, 2006	FOB	110.50	145.00	94.00	124.00		249.50	N/A		160.00	N/A	430.00			117.00		390.00
SK (4)	July 17, 2006		110.50	145.00	94.00	129.00		251.50	N/A		140.00	N/A	430.00			117.00		420.00
Winnipeg	July 24, 2006	FOB	145.50	140.00	111.50	116.00		232.00	N/A		270.00	1112.50	515.00					380.00
MB (4) (9)	July 17, 2006		145.00	140.00	112.00	121.00		234.00	N/A		260.00	1112.50	515.00					380.00
Thunder Bay	July 24, 2006	In-Store	136.00	N/A	107.50													
ON (8)	July 17, 2006		136.50	N/A	107.50													
Lake Ports	July 24, 2006	On Board				108.93												
USA (3)	July 17, 2006	Vessel				113.07												
Bay Ports	July 24, 2006	In-Store	162.00	200.00	122.00													
ON	July 17, 2006		162.00	200.00	122.00													
Chatham	July 24, 2006	Track				104.21												
ON	July 17, 2006					107.21												
Toronto	July 24, 2006	N/A					FOB				182.00		385.00	N/A	N/A		275.00	332.00
ON (5)	July 17, 2006										171.00		385.00	N/A	N/A		275.00	332.00
Hamilton	July 24, 2006	N/A						218.81	N/A									
ON	July 17, 2006							227.51	N/A									
Eastern	July 24, 2006	FOB				110.00												
ON	July 17, 2006					116.50												
London	July 24, 2006	FOB												340.00	75.00			
ON	July 17, 2006													340.00	75.00			
Port Colborne	July 24, 2006	FOB								59.00				340.00	75.00			
ON	July 17, 2006									61.00				340.00	75.00			
Cardinal	July 24, 2006	FOB												345.00	90.00			
ON	July 17, 2006													345.00	90.00			
Montreal	July 24, 2006		163.00	160.00	140.00	125.00		233.03	166.10	80.00	175.00	850.00	401.50	N/A	N/A		270.00	360.00
QC (5)	July 17, 2006		165.00	160.00	143.00	125.00	FOB	240.01	172.75	93.33	175.00	850.00	401.50	N/A	N/A		270.00	360.00
Trois-Rivières	July 24, 2006	In-Store	168.50		150.00	133.95												
QC	July 17, 2006		170.00		149.70	143.20												
St. Jean QC (2)	July 24, 2006	FOB	148.38	132.50	131.25	119.78		239.04										
St. Hyacinthe QC	July 17, 2006		152.75	139.00	132.68	122.42		242.92										
Quebec	July 24, 2006	In-Store	165.17	N/A	157.59	129.78		239.95	170.53									
QC	July 17, 2006		167.00	N/A	159.73	136.88		244.55	172.30									
Truro	July 24, 2006	Track	202.11	N/A	160.73	164.15		275.95	201.25		241.10		548.00					360.00
NS	July 17, 2006		197.03	N/A	160.73	167.99	FOB	280.33	201.25		241.10		543.00					360.00
Truro	July 24, 2006	Water	N/A	N/A	N/A	N/A												
NS	July 17, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	July 24, 2006	In-Store	185.45	N/A	N/A	151.65		293.00	230.25	297.50		N/A						
NS (6)	July 17, 2006		183.95	N/A	N/A	162.25		299.19	240.10	297.50		N/A						

Source: Market Analysis Division. Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

US$1.00 = CAN$ 1.1375

Closing date July 21/2006

Contact: André Doumbè Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

July 24, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week July 24, 2006	Last week July 10, 2006	Month ago June 26, 2006	Year Ago July 25, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	134.00	132.00	134.00	109.00
(CBOT)		Oat	189.75	195.00	202.00	169.00
(Lethbridge)		Barley	110.00	110.00	114.00	112.50
To: Bayport, ON (1)	In-store	Wheat	157.61	155.61	157.61	132.61
		Oat	N/A	N/A	N/A	N/A
		Barley	137.39	137.39	141.39	139.89
Montreal, QC (1)	In-store	Wheat	162.03	160.03	162.03	137.03
		Oat	N/A	N/A	N/A	N/A
		Barley	142.31	142.31	146.31	144.81
Moncton, NB	Truck via Halifax	Wheat	184.25	182.25	184.25	159.25
		Oat	N/A	N/A	N/A	N/A
		Barley	166.50	166.50	170.50	169.00
Truro, NS	Truck via Halifax	Wheat	178.22	176.22	178.22	153.22
		Oat	N/A	N/A	N/A	N/A
		Barley	164.00	164.00	168.00	166.50
Halifax, NS (1)	In-store	Wheat	169.28	167.28	169.28	144.28
		Oat	N/A	N/A	N/A	N/A
		Barley	150.30	150.30	154.30	152.80
Stephenville, NL	Track / Truck via Sydney	Wheat	232.63	230.63	232.63	207.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week July 24, 2006	Last Week July 10, 2006	Month Ago June 26, 2006	Year Ago July 25, 2005
Corn						
From: US Lake Port	On Board Vessel		108.93	110.90	110.18	111.00
To: Montreal, QC (1)	In-store		127.97	129.94	129.22	130.04
From: Chicago (IL)	Track		107.59	110.02	106.23	111.95
To: Montreal, QC	Track		136.45	138.88	135.09	140.81
From: Chatham, ON	Track		104.21	103.52	103.05	114.92
To: Montreal, QC	Track		128.08	127.39	126.92	138.79
Soymeal 48% Protein						
From: Hamilton, ON			218.81	228.07	232.25	235.18
To: Montreal, QC	Track		243.14	252.40	256.58	259.51
Moncton, NB	Track		261.89	271.15	275.33	278.26
Truro, NS	Track		265.11	274.37	278.55	281.48
Stephenville, NL	Track / Truck via Sydney		313.74	323.00	327.18	330.11

1. Prices include ONE month of storage and interest charges n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada
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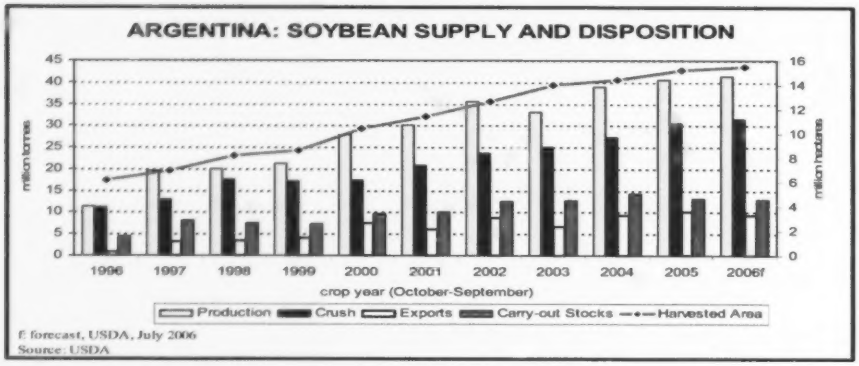
Footnotes: All prices quoted in Canadian dollars per metric tonne.
Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable


ARGENTINA: SOYBEAN SUPPLY AND DISPOSITION
million tonnes
million hectares
1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006f
crop year (October-September)
Production Crush Exports Carry-out Stocks Harvested Area
f: forecast, USDA, July 2006
Source: USDA

2006, ***carry-out stocks*** are estimated at 15.3 Mt, down from 16.2 Mt in 2004-2005.

Soyoil

For 2005-2006, Argentina's ***production*** of soyoil is estimated at 5.7 Mt, up from the previous record of 5.1 Mt in 2004-2005. For 2005-2006, ***exports*** of soyoil are estimated at a record 5.4 Mt, up from 4.8 Mt in 2004-2005. The major export markets are China, India, and Bangladesh. Domestic **consumption** of soyoil for 2005-2006 is estimated at 0.4 Mt, virtually unchanged from 2004-2005.

Soymeal

For 2005-2006, Argentina's ***production*** of soymeal is estimated at 23.7 Mt, up from the previous record of 21.5 Mt in 2004-2005. For 2005-2006, ***exports*** of soymeal are estimated at a record 23.1 Mt, up from 20.5 Mt in 2004-2005. The major markets are Spain, Denmark, Philippines, Malaysia and Vietnam. Domestic ***consumption*** of soymeal for 2005-2006 is estimated at 0.6 Mt, up from 0.5 Mt in 2004-2005.

Wheat

Most of Argentina's wheat is produced on its flat fertile plains called the *pampas*, which are further separated into the northern wheat belt and the southern wheat belt. The growing season in the *northern belt* allows for wheat to be double cropped with corn and soybeans. In the *southern belt*, wheat is generally seen as the only cropping choice.

In the past decade, wheat ***area*** has fluctuated from a high of 17.1 Mha in 1996-1997 to a low of 4.9 Mha in 2005-2006. Wheat ***yields*** during this period have also fluctuated considerably, from a high of 2.8 tonnes per hectare (t/ha) in 1997-1998, to a low of 2.1 t/ha in 2002-2003.

For 2005-2006, Argentina's wheat ***production*** is estimated at 12.5 Mt, down from 16.0 Mt in 2004-2005. The decrease is due to a 20% reduction in harvested area as a result of a drought in 2005. The combination of lower production and relatively low carry-in stocks resulted in the lowest available supply of wheat in Argentina in over ten years. As a result, ***exports*** (July-June) for 2005-2006 are estimated at 7.5 Mt, down from 13.5 Mt in 2004-2005. The major markets for Argentine wheat exports are Brazil, Peru, Chile, and South Africa.

For the first time in years, Argentina is not one of the five largest exporters of wheat in the world. Russia temporarily held that position when its wheat exports surged to a record 10.5 Mt in 2005-2006. Despite its tight wheat supplies for 2005-2006, on May 18, 2005, Argentine wheat exporters agreed to self-regulate or limit their sales overseas. This notice came after rumours that the Argentine government was considering possible export restrictions on wheat similar to those already on beef exports. Government concerns grew from observations on the growing external demand for wheat and rising international wheat prices. As a result of this decision, Argentine wheat customers have shown concern, particularly Argentina's most important customer Brazil. Brazil buys around 90% of its wheat from Argentina.

Export taxes on wheat remain at 20%, and the taxes are based on an official f.o.b. price which is set daily by the Agriculture Secretariat. Argentina's wheat ***carry-out stocks*** for 2005-2006 are estimated at 0.5 Mt, down from 0.6 Mt in 2004-2005.

Corn

Argentina is the world's second largest exporter of corn. In 2004-2005, Argentine farmers seeded a record 2.8 Mha to corn and harvested a bumper crop, resulting in unprecedented production of 20.5 Mt. In 2004-2005, Argentine exports of corn were a record 14.6 Mt.

In 2005-2006, corn ***production*** is estimated at 14.0 Mt, down considerably from the previous year's record crop as farmers shifted seeded area out of corn and into soybean production. ***Exports*** are estimated at 8.5 Mt, the lowest level since 1999-2000. ***Carry-out stocks*** are estimated at 0.9 Mt, down slightly from the record 1.0 Mt in 2004-2005.

ARGENTINA: SOYOIL SUPPLY AND DISPOSITION

crop year October-September	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006	2006 -2007f
	thousand tonnes					
Carry-in Stocks	201	312	713	862	791	698
Production	3,876	4,404	4,626	5,088	5,740	5,950
Total Supply	**4,077**	**4,716**	**5,339**	**5,950**	**6,531**	**6,648**
Exports	3,438	3,636	4,085	4,753	5,400	5,600
Domestic Consumption	327	367	392	406	433	460
Total Use	**3,765**	**4,003**	**4,477**	**5,159**	**5,833**	**6,060**
Carry-out Stocks	312	713	862	791	698	588

ARGENTINA: SOYMEAL SUPPLY AND DISPOSITION

crop year October-September	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006	2006 -2007f
	thousand tonnes					
Carry-in Stocks	907	1,140	973	1,431	1,970	1,940
Production	16,559	18,416	19,685	21,531	23,680	24,340
Total Supply	**17,466**	**19,556**	**20,658**	**22,962**	**25,650**	**26,280**
Exports	15,936	18,122	18,743	20,497	23,100	23,640
Domestic Consumption	390	461	484	495	610	750
Total Use	**16,326**	**18,583**	**19,227**	**20,992**	**23,710**	**24,390**
Carry-out Stocks	1,140	973	1,431	1,970	1,940	1,890

f: forecast, USDA, July 2006
Source: USDA

OUTLOOK 2006-2007

For 2006-2007, ***area seeded*** to Argentina's major field crops is forecast at a record 25.1 Mha, surpassing the previous record of 24.4 Mha in 2004-2005. However, with a return to normal yields expected for 2006-2007, ***production*** of the major field crops is forecast at 77.1 Mt, down slightly from the record of 79.8 Mt in 2004-2005, but up from 70.3 Mt in 2005-2006. For 2006-2007, ***exports*** of Argentina's major field crops are forecast at 30.7 Mt, down from the record of 36.6 Mt in 2004-2005, but up from 26.5 Mt in 2005-2006.

Argentina's agricultural sector is heavily dependent on exports. With 60% of its production going to export markets, the agricultural sector is sensitive to any appreciation in the Argentine peso, which is possible given the current surplus on the external accounts. However, the Banco Central de la República Argentina (BCRA, the Central Bank) is expected to maintain its policy of intervening to maintain the export competitiveness of the exchange rate, provided that this can be done without stoking inflationary pressure. The BCRA has kept the Argentine peso steady at around three pesos to the US dollar for approximately the past two years.

Soybeans

For 2006-2007, soybean ***production*** is forecast at a record 41.3 Mt, up from the previous record of 40.5 Mt in 2005-2006. The increase in production is due primarily to record high seeded area, which is forecast at 15.4 Mha for 2006-2007. ***Exports*** are forecast at 9.3 Mt, down from the record 10.1 Mt in 2005-2006, as Argentina continues to expand oilseed crushing capacity. With new and expanded crushing facilities coming on-line in 2006-2007, Argentina is forecast to ***crush*** a record 31.5 Mt of soybeans, up from the previous record 30.4 Mt in 2005-2006. For 2006-2007, ***carry-out stocks*** are forecast at a record 15.1 Mt.

Soyoil

For 2006-2007, soyoil production is forecast at a record 6.0 Mt, up from the previous record of 5.7 Mt in 2005-2006. Early indications are that about 96% of Argentina's soyoil production will be ***exported*** in 2006-2007, which would be a record 5.6 Mt. This is up from the previous record of 5.4 Mt estimated for 2005-2006.

Soymeal

For 2006-2007, soymeal ***production*** is forecast at a record 24.3 Mt, up from the previous record of 23.7 Mt in 2005-2006. Nearly all of Argentina's soymeal production is expected to be ***exported*** in 2006-2007, which would be a record 23.6 Mt, exceeding the previous record of 23.1 Mt set in 2005-2006.

Wheat

For 2006-2007, wheat ***production*** is forecast at 14.3 Mt, up significantly from 12.5 Mt in 2005-2006.

With increased available supplies of wheat for 2006-2007, Argentina is expected to reclaim its position as one of the five largest exporters of wheat, a position it relinquished temporarily to Russia in 2005-2006. For 2006-2007, ***exports*** (July-June) of wheat are forecast at 9.5 Mt, up significantly from 7.5 Mt in 2005-2006. ***Carry-out stocks*** for 2006-2007 are forecast at 0.3 Mt, down from 0.5 Mt in 2005-2006.

Corn

For 2006-2007, corn ***production*** is forecast at 17.5 Mt, up from 14.0 Mt in 2005-2006. The increase is due to increased seeded area and improved yield prospects for 2006-2007. With a 20% increase in available supplies for 2006-2007, ***exports*** are expected to increase to 11.5 Mt, up from 8.5 Mt in 2005-2006. ***Carry-out stocks*** are forecast at 0.8 Mt, down from 0.9 Mt in 2005-2006.

Implications for Canada

Argentina is expected to be a major player in the world wheat market, as it has in recent years. While Argentina does not compete directly with Canada in premium wheat markets, it competes directly with US winter wheat; influencing the benchmark wheat prices in the US Chicago Board of Trade and Kansas City Board of Trade futures markets. World prices for oilseeds and the products derived from oilseeds will continue to be pressured by burgeoning soybean production in Argentina and Brazil. The excess supply in the world oilseed market is expected to translate into lower prices for Canadian producers of canola and soybeans. Furthermore, steadily increasing world demand for vegoils is expected to result in excess supplies of protein meal, driving down the price of protein meal and other sources of animal feed.

Many Canadian companies have seen Argentina as a worthwhile location in which to invest and base their operations for the region as a whole. Companies such as McCains, Saputo and Clearwater have set up operations in Argentina and are currently exporting agri-food products throughout the continent and abroad. As well, wage increases in Argentina continue to exceed inflation, so domestic consumption is expected to remain strong along with export demand for products from foreign sources. This situation bodes well for exporters looking to expand their customer base with sales to Argentine customers.

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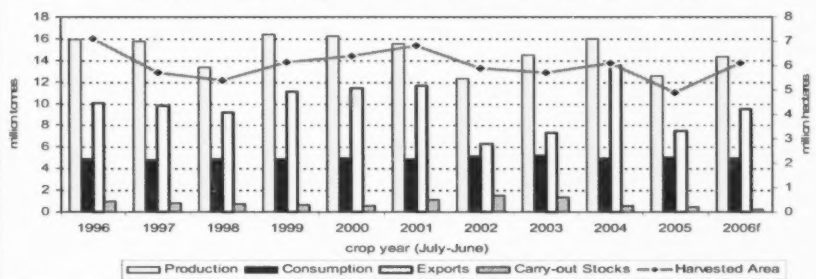
ARGENTINA: WHEAT SUPPLY AND DISPOSITION



f: forecast, USDA, July 2006
Source: USDA

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